Leading light

Full year results to 30 September 2015

24 November 2015
“Deliver attractive shareholder returns by being the leading light in New Zealand and Pacific General Insurance.”
Delivering shareholder returns

First year as a pure General Insurer, solid underlying profit growth in NZ and the Pacific

Enhanced understanding and risk management on Canterbury, increased provisions

Full year loss of $6.6m due to Canterbury provisions

Full year underlying profit up 29.6% to $28.2 million

Full year dividend of 16.0 cps, up 10.3%; on market share buyback progressing

TOWER has further surplus capital to support shareholder returns and growth
Richard Harding
Chief Executive Officer

What we are covering today
+ Performance highlights
+ Canterbury
+ Operational update
+ Financial performance and risk management
+ Strategy and outlook
Performance highlights
Strong underlying performance in first year as a pure General Insurer

<table>
<thead>
<tr>
<th>Underlying profit up</th>
<th>Progress on Canterbury claims, improved process and confidence in estimates; impact of provision increase partially mitigated by reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined sales and service teams delivering promising results and lift in customer satisfaction</td>
<td>Trade Me alliance now live, providing access to new markets and a new way of operating</td>
</tr>
<tr>
<td>Pacific continues to deliver policy, premium and earnings growth, particularly in motor segment</td>
<td>Capital management remains a priority through buyback and increased dividends while maintaining strong solvency</td>
</tr>
</tbody>
</table>
Group performance

Reported net loss after tax of $6.6m; underlying profit of $28.2m

<table>
<thead>
<tr>
<th>$ million</th>
<th>FY15</th>
<th>FY14</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross written premium</td>
<td>305.6</td>
<td>297.6</td>
<td>2.7%</td>
</tr>
<tr>
<td>Reported (loss)/profit after tax</td>
<td>(6.6)</td>
<td>23.6</td>
<td>-</td>
</tr>
<tr>
<td>Canterbury earthquakes</td>
<td>(36.2)</td>
<td>(0.1)</td>
<td>-</td>
</tr>
<tr>
<td>Profit on discontinued businesses</td>
<td>1.4</td>
<td>2.0</td>
<td>-</td>
</tr>
<tr>
<td>Underlying profit after tax from continuing operations¹</td>
<td>28.2</td>
<td>21.7</td>
<td>29.6%</td>
</tr>
<tr>
<td>New Zealand²</td>
<td>18.9</td>
<td>16.9</td>
<td>11.6%</td>
</tr>
<tr>
<td>Pacific</td>
<td>9.6</td>
<td>8.2</td>
<td>17.4%</td>
</tr>
<tr>
<td>Underlying EPS(c)³</td>
<td>16.0</td>
<td>11.3</td>
<td>41.6%</td>
</tr>
<tr>
<td>DPS(c)</td>
<td>16.0</td>
<td>14.5</td>
<td>10.3%</td>
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</table>

Key ratios¹

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY14</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims ratio</td>
<td>47.7%</td>
<td>50.8%</td>
<td>-</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>41.9%</td>
<td>40.8%</td>
<td>-</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>89.6%</td>
<td>91.6%</td>
<td>-</td>
</tr>
</tbody>
</table>

¹ Underlying NPAT excludes Canterbury impacts and discontinued businesses.
² New Zealand figures include General Insurance only.
³ Profit attributable to shareholders from ongoing operations only and excludes Canterbury impacts, using weighted average number of shares outstanding.
⁴ Based on underlying business, excludes Canterbury impacts.

- GWP growth of 2.7%, led by Pacific
- Reported loss of $6.6m
  - Canterbury provision increase results in $36.2m impact on profit
  - Tax benefit attributable to divested businesses of $1.9m
- Strong underlying profit growth in both New Zealand and Pacific
- Improvement in claims and combined ratio reflects benign weather environment
- Investment in new markets and branding evident in expense ratio
- Underlying EPS of 16.0c, up 41.6%
- Full year dividend of 16.0c per share, up 10.3%
- Strong H1 due to lack of weather events
Performance indicators

Reliable insurance business with significant unrealised potential

- GWP growth slowing due to policy run-off and lower rate increases
- Higher reinsurance ratio reflects greater level of cover taken out
- Expense ratio reflects investment in new markets and branding
- Claims ratio improvement from reduced large events
- Potential to improve policy growth and operating efficiency

1. Underlying expense and combined ratios for General Insurance only
Richard Harding
Chief Executive Officer

What we are covering today
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Continued progress
Ongoing progress in Canterbury improves confidence

+ Canterbury has greater complexity than other comparable events
+ Good progress: more than 15,000 property claims or 95.6% of total claims, 88% by value now closed
+ 286 settled last 6 months; 703 property claims outstanding
  - 675 claims in progress
+ Actuarial adviser, Deloitte, brought in additional expertise to conduct file-by-file review
+ Increased provisions allow for higher repair and rebuild complexity and margin for risk
+ Gross increase in Feb 11 event provision $53.2 million in H2 reduced by reinsurance and tax
  - $136 million impact on net profit after tax in H2, full year impact on net profit after tax $36.2m
+ Improved information set provides greater clarity on ultimate cost and improved case management abilities
**Improved data and confidence**

File-by-file review provides greater confidence on ultimate costs and improved ability to manage claims

- Greater certainty regarding the ultimate claims cost given:
  1. Granular case-by-case claim analysis
  2. Enhanced view of claim cost (and risk) profile over time
  3. Information in a form that will improve our ability to manage claims and improve risk management

- Paid claims experience in the last 12 months has assisted Deloitte estimates

- Now have cost development curves for different types of claims (repairs, rebuilds and multi-unit)
- Allows a more strategic approach to managing the remaining claims eg.
  - Target high risk claims
  - Better understanding of settlement opportunities
Provision increases

Provision increases partially mitigated by ADC

- Risk management has continued to evolve for Canterbury:
  - EY review of apportionment
  - Increase in reinsurance cover
  - Expertise from Deloitte
  - Detailed file-by-file review by Deloitte
- Estimates for all Canterbury claims raised by $43.6m
  - Paid claims and case estimates have risen as claims advance to completion
  - IBNR has been increased reflecting greater level of understanding through Deloitte work
- February 2011 event estimates raised by $53.2m
  - Growth reflects larger scale of event, higher level of outstanding claims
- Assumptions for recoveries from EQC remain an ongoing risk for TOWER and the industry
- ADC has now been fully utilised and expensed in FY15

Note: Claims numbers are net of EQC recoveries.
Capital and solvency

Capital of $73m above target levels

TOWER has a long term policy of retaining within its licensed General Insurance entity 175% of the minimum solvency capital (MSC) required under the Insurance (Prudential Supervision) Act 2010.

General Insurance solvency:

- Regulatory position
- Long term policy (175% of MSC)

General Insurance currently holds:

- $35m
  - Current position above target based on long term policy

Plus cash at Corporate level:

- $38m
  - Excess cash held at Corporate level

1. Excess cash is defined as cash balance less payables.
What we are covering today

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+ **Operational update**
+ Financial performance and risk management
+ Strategy and outlook
A New Zealand and Pacific **insurer**

Solid platform with the ability to grow in both New Zealand and the Pacific

2. Represents percentage of General Insurance underlying profit, excluding Corporate.
Strategic roadmap

Increased focus on values and a performance culture

- Vision to be the leading light in New Zealand and Pacific General Insurance
- Strategic pillars of customer, people and financial performance help us achieve this vision
- Values guide us in how we conduct ourselves in the business to strengthen our pillars
- Shifting emphasis from “enablers” to “values” to reinforce high performance culture across the organisation
- All of these actions help us deliver shareholder returns
Transforming our customer interactions

A new way of interacting being recognised by customers

- Multi-year journey to improve our customer interactions
  - Investment in training and staff
  - Merger of sales and service teams
  - Reduced spans of control
- Improvement in staff engagement
- Direct customers now on Insurance Faces platform (c. 66% of policy base)
  - Alliance partner migration is underway
  - Decommissioning of legacy system will reduce costs and remove complexity
- Service staff remain constrained by systems and business complexity
- Further opportunity in simplification and customer retention
Refresh of the TOWER brand

Refreshed brand to connect with customers and realise full potential

- Brand recognition associated with market leaders, however brand preference does not align to recognition
- Opportunity to improve preference by creating stronger connection with customers
- Next phase of brand development was launched in July to help realise this brand potential
- Targeting improved confidence in our insurance products and increased conversion through:
  - Communication of our story
  - Product quality and innovation
  - An attractive value proposition
- Improvements in brand awareness preference and inbound inquiries
New markets and channels

Trade Me Insurance provides access to new markets and a new way of operating

- Trade Me Insurance launched in mid August to deliver: innovation; digital presence; new markets
- Fully online end-to-end service model
- Price positioned to compete with industry disrupters
- Trade Me platform provides access to 1.4 million customers
- 80% of policies sold to date are motor where TOWER is under represented
- Significant learning from the build-out that will assist development of TOWER direct and pursuit of other alliances
Leadership in Pacific markets

Strong performance in the Pacific

- Underlying NPAT up 17.4%, GWP up 12.2% assisted by policy growth and currency
- Policies grew 4.6%, slower in H2 due to withdrawal from a SME product in PNG
- New partnerships support growth in Fiji, Cook Islands and PNG
- Benign claims environments in Cook Islands, National Pacific Insurance and Solomon Islands
- Staff engagement and customer service measures strong
- Vanuatu launched; early days but an attractive growth market

FY15 GWP by territory

- Fiji $19.1m
- Papua New Guinea $18.5m
- National Pacific Insurance (Tonga, Samoa, American Samoa) $14.5m
- Cook Islands $5.2m
- Solomon Islands $3.2m
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TOWER Group
Profit summary

Underlying profit of $28.2m; reported net loss after tax of $6.6m

General Insurance continued underlying profit growth
Impact of Canterbury earthquakes at $36.2m after tax
Profit from discontinued businesses due to tax benefits arising from Life business
Underlying profit of $10.7m in H2 compared to $17.5m in H1 due to higher claims and expenses
- Expenses rose due to timing of investment in Trade Me Insurance and rebranding
- Claims cost rose in H2 due to weather and seasonal patterns

<table>
<thead>
<tr>
<th>$ million</th>
<th>2015</th>
<th>2014</th>
<th>Movement $</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Insurance underlying profit</td>
<td>28.5</td>
<td>25.1</td>
<td>3.4</td>
<td>13.5%</td>
</tr>
<tr>
<td>Corporate financing costs and investment income</td>
<td>1.4</td>
<td>(1.1)</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>(1.8)</td>
<td>(2.3)</td>
<td>0.5</td>
<td>(22.6%)</td>
</tr>
<tr>
<td>Underlying profit after tax from continuing operations</td>
<td>28.2</td>
<td>21.7</td>
<td>6.4</td>
<td>29.6%</td>
</tr>
<tr>
<td>(Loss)/Profit on disposal of subsidiaries</td>
<td>1.4</td>
<td>2.0</td>
<td>(0.6)</td>
<td>-</td>
</tr>
<tr>
<td>Impact of Canterbury earthquakes</td>
<td>(36.2)</td>
<td>(0.1)</td>
<td>(36.1)</td>
<td>-</td>
</tr>
<tr>
<td>Reported net (loss)/profit after tax</td>
<td>(6.6)</td>
<td>23.6</td>
<td>(30.2)</td>
<td>-</td>
</tr>
</tbody>
</table>
Underlying **performance**

**Underlying profit growth of 29.6% supported by benign weather**

- Reinsurance costs are up due to higher levels of cover
- Higher net incurred claims from higher house claims (increased number of fires and higher water damage)
- Large event claims limited by benign weather environment and impact of aggregate cover
- Investment in the business leading to higher expenses and depreciation
  - Sales and service investment to deliver operational improvements
  - IT investment and associated costs of migrating to new platform
  - Ongoing investment in additional capability

### Consolidated profit and loss

<table>
<thead>
<tr>
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<th>2014</th>
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<tbody>
<tr>
<td>Gross written premium</td>
<td>305.6</td>
<td>297.6</td>
<td>8.0</td>
<td>2.7%</td>
</tr>
<tr>
<td>Gross earned premium</td>
<td>304.7</td>
<td>285.1</td>
<td>19.6</td>
<td>6.9%</td>
</tr>
<tr>
<td>Reinsurance costs</td>
<td>(51.9)</td>
<td>(48.0)</td>
<td>(3.9)</td>
<td>8.1%</td>
</tr>
<tr>
<td>Net earned premium</td>
<td>252.8</td>
<td>237.1</td>
<td>10.9</td>
<td>6.6%</td>
</tr>
<tr>
<td>Net incurred claims</td>
<td>(115.6)</td>
<td>(106.2)</td>
<td>(9.4)</td>
<td>8.9%</td>
</tr>
<tr>
<td>Large events claims(^1)</td>
<td>(4.9)</td>
<td>(14.4)</td>
<td>9.4</td>
<td>(65.6%)</td>
</tr>
<tr>
<td>Management and sales expenses</td>
<td>(101.9)</td>
<td>(94.0)</td>
<td>(7.9)</td>
<td>8.4%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(4.0)</td>
<td>(2.7)</td>
<td>(1.4)</td>
<td>51.9%</td>
</tr>
<tr>
<td>Underwriting profit</td>
<td>26.3</td>
<td>19.9</td>
<td>6.4</td>
<td>32.1%</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>14.0</td>
<td>14.2</td>
<td>(0.2)</td>
<td>(1.2%)</td>
</tr>
<tr>
<td>Financing costs</td>
<td>-</td>
<td>(4.1)</td>
<td>4.1</td>
<td>-</td>
</tr>
<tr>
<td>Underlying Profit before tax</td>
<td>40.3</td>
<td>30.0</td>
<td>10.3</td>
<td>34.4%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(12.2)</td>
<td>(8.3)</td>
<td>(3.9)</td>
<td>46.9%</td>
</tr>
<tr>
<td><strong>Underlying profit after tax</strong></td>
<td><strong>28.2</strong></td>
<td><strong>21.7</strong></td>
<td><strong>6.4</strong></td>
<td><strong>29.6%</strong></td>
</tr>
</tbody>
</table>

\(^1\) Large claim events are those greater than $1m. 2014 large claim events were due to storms in New Zealand.
**Strong balance sheet**

Balance sheet supports growth opportunities and capital returns

### Consolidated balance sheet

<table>
<thead>
<tr>
<th>$ million</th>
<th>2015</th>
<th>2014</th>
<th>Movement $</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; call deposits</td>
<td>125.1</td>
<td>168.1</td>
<td>(42.9)</td>
<td>(25.6%)</td>
</tr>
<tr>
<td>Investment assets</td>
<td>213.6</td>
<td>212.4</td>
<td>1.2</td>
<td>0.6%</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>20.3</td>
<td>20.0</td>
<td>0.2</td>
<td>1.2%</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>48.4</td>
<td>35.5</td>
<td>12.9</td>
<td>36.3%</td>
</tr>
<tr>
<td>Other operational assets/(liabilities)¹</td>
<td>351.6</td>
<td>372.3</td>
<td>(20.7)</td>
<td>(5.6%)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>758.9</td>
<td>808.3</td>
<td>(49.4)</td>
<td>(6.1%)</td>
</tr>
<tr>
<td>Policy liabilities &amp; insurance provisions</td>
<td>(419.7)</td>
<td>(422.3)</td>
<td>(2.6)</td>
<td>(0.6%)</td>
</tr>
<tr>
<td>Other operational (liabilities)/assets¹</td>
<td>(58.3)</td>
<td>(60.0)</td>
<td>1.7</td>
<td>(2.8%)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>(478.0)</td>
<td>(482.3)</td>
<td>(4.3)</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>280.9</td>
<td>326.0</td>
<td>(45.1)</td>
<td>(13.8%)</td>
</tr>
</tbody>
</table>

¹. A number of assets or liabilities of disposed groups classified as held for sale in the financial statements in 2014.

- Payment of Canterbury claims impacts both reinsurance receivables and cash balances
- Extended reinsurance cover protects balance sheet
- Provides options to manage risk, invest for growth and maximise returns to shareholders
- Cash applied to share buyback, investment in systems, and payment of over-cap Canterbury claims
Capital management

Capital management to remain a key priority moving forward

Achievements

+ TOWER remains highly solvent with $73 million capital above target levels at the business and corporate level
+ FY15 dividend of 16.0 cps, up 10.3%
+ Full year payout ratio of 100%, in line with target range
+ $12 million in capital returned in H2 through on market share buyback

Moving forward

+ Capital management remains a priority and shareholder returns a key focus
+ Utilise reinsurance to manage risk and protect capital for the benefit of shareholders
+ Up to $22 million remaining to be returned to shareholders in current share buyback program
+ Dividend pay-out ratio to be maintained at 90-100% of underlying NPAT
Richard Harding
Chief Executive Officer

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Management of risk and capital
Increased reinsurance has lowered risk
$12m of $34m buyback complete
$73m in surplus capital

Financial performance
Underlying NPAT up 29.6%
Full year dividend increased 10.3%

Industry consolidation opportunity
Industry concentration provides room for disrupters like Trade Me Insurance

Staff engagement and efficiency
Ongoing investment in systems and training
Transformation of customer interactions

Leadership in Pacific markets
Pacific NPAT up 174%
Vanuatu launch
New alliance partners

Customer focus to unlock brand potential
TOWER brand refresh
Stronger service measures

Continued progress executing on the strategic priorities
## Medium term priorities

Significant opportunity to improve the existing business

<table>
<thead>
<tr>
<th>Strategic theme</th>
<th>Forward actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth and retention</strong></td>
<td>Outbound calling teams established to lift retention</td>
</tr>
<tr>
<td></td>
<td>Build branding to connect with customer</td>
</tr>
<tr>
<td></td>
<td>High performance customer service culture</td>
</tr>
<tr>
<td><strong>New markets and channels</strong></td>
<td>Execution of Trade Me opportunity; platform bedded in</td>
</tr>
<tr>
<td></td>
<td>Trade Me Insurance marketing drive to begin</td>
</tr>
<tr>
<td></td>
<td>Enhance capability in online delivery</td>
</tr>
<tr>
<td></td>
<td>New alliances and opportunities in the Pacific and NZ</td>
</tr>
<tr>
<td><strong>Operational excellence</strong></td>
<td>Improvements in claim management, efficient supply chain</td>
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<tr>
<td></td>
<td>Enhanced risk management framework</td>
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<td></td>
<td>Simplification of processes</td>
</tr>
<tr>
<td></td>
<td>Focus on underwriting and pricing</td>
</tr>
<tr>
<td><strong>Capital management</strong></td>
<td>Maintain strong solvency, solid dividends</td>
</tr>
<tr>
<td></td>
<td>Manage capital efficiently</td>
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</tbody>
</table>
Thank you

Questions
## Underlying performance
### General Insurance

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross earned premiums</strong></td>
<td>154.3</td>
<td>150.4</td>
<td>146.0</td>
<td>139.1</td>
<td>136.4</td>
<td>130.8</td>
<td>125.0</td>
<td>113.9</td>
<td>106.2</td>
<td>102.1</td>
</tr>
<tr>
<td><strong>Reinsurance</strong></td>
<td>(26.2)</td>
<td>(25.7)</td>
<td>(24.5)</td>
<td>(23.5)</td>
<td>(24.4)</td>
<td>(23.5)</td>
<td>(21.2)</td>
<td>(20.0)</td>
<td>(13.3)</td>
<td>(10.2)</td>
</tr>
<tr>
<td><strong>Net premiums</strong></td>
<td>128.1</td>
<td>124.7</td>
<td>121.5</td>
<td>115.6</td>
<td>112.0</td>
<td>107.3</td>
<td>103.8</td>
<td>93.9</td>
<td>92.9</td>
<td>91.9</td>
</tr>
<tr>
<td><strong>Net incurred claims¹</strong></td>
<td>(60.0)</td>
<td>(55.5)</td>
<td>(52.7)</td>
<td>(53.4)</td>
<td>(48.7)</td>
<td>(52.6)</td>
<td>(46.4)</td>
<td>(44.9)</td>
<td>(41.7)</td>
<td>(44.6)</td>
</tr>
<tr>
<td><strong>Large claim events²</strong></td>
<td>(4.9)</td>
<td>-</td>
<td>(9.6)</td>
<td>(4.8)</td>
<td>(6.2)</td>
<td>(3.3)</td>
<td>(0.2)</td>
<td>(1.1)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Management and sales expenses</strong></td>
<td>(53.5)</td>
<td>(49.5)</td>
<td>(49.0)</td>
<td>(43.9)</td>
<td>(41.3)</td>
<td>(41.7)</td>
<td>(40.0)</td>
<td>(38.8)</td>
<td>(35.0)</td>
<td>(35.9)</td>
</tr>
<tr>
<td><strong>Underwriting profit</strong></td>
<td>9.6</td>
<td>19.7</td>
<td>10.2</td>
<td>13.5</td>
<td>15.7</td>
<td>9.7</td>
<td>17.2</td>
<td>9.1</td>
<td>16.2</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Investment revenue</strong></td>
<td>5.8</td>
<td>6.3</td>
<td>5.8</td>
<td>5.7</td>
<td>3.9</td>
<td>4.2</td>
<td>7.9</td>
<td>4.5</td>
<td>7.5</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Underlying Profit before tax</strong></td>
<td>15.5</td>
<td>26.0</td>
<td>16.0</td>
<td>19.2</td>
<td>19.6</td>
<td>13.9</td>
<td>25.1</td>
<td>13.6</td>
<td>23.7</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(4.6)</td>
<td>(8.2)</td>
<td>(4.0)</td>
<td>(6.1)</td>
<td>(6.5)</td>
<td>(8.0)</td>
<td>(6.9)</td>
<td>(5.0)</td>
<td>(9.0)</td>
<td>(5.4)</td>
</tr>
<tr>
<td><strong>Underlying Profit (loss) after tax</strong></td>
<td>10.8</td>
<td>17.8</td>
<td>12.0</td>
<td>13.1</td>
<td>13.1</td>
<td>5.9</td>
<td>18.3</td>
<td>8.6</td>
<td>14.7</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>(Loss) on disposal of subsidiaries</strong></td>
<td>-</td>
<td>-</td>
<td>(3.6)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Impact of Canterbury earthquakes</strong></td>
<td>(13.6)</td>
<td>(22.6)</td>
<td>-</td>
<td>(0.1)</td>
<td>(0.5)</td>
<td>(14.7)</td>
<td>(10.4)</td>
<td>(3.2)</td>
<td>(16.8)</td>
<td>(5.4)</td>
</tr>
<tr>
<td><strong>Revaluation of Australia liabilities and FX loss³</strong></td>
<td>-</td>
<td>-</td>
<td>0.5</td>
<td>(1.2)</td>
<td>(1.1)</td>
<td>(6.0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit (loss) after tax⁴</strong></td>
<td>(2.8)</td>
<td>(4.8)</td>
<td>12.5</td>
<td>11.8</td>
<td>11.5</td>
<td>(14.8)</td>
<td>7.8</td>
<td>5.4</td>
<td>(2.1)</td>
<td>4.6</td>
</tr>
</tbody>
</table>

### Underlying ratios

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Combined ratio</strong></td>
<td>92.5%</td>
<td>84.2%</td>
<td>91.7%</td>
<td>88.3%</td>
<td>85.9%</td>
<td>90.9%</td>
<td>83.4%</td>
<td>90.3%</td>
<td>82.6%</td>
<td>87.6%</td>
</tr>
<tr>
<td><strong>Claims ratio</strong></td>
<td>50.7%</td>
<td>44.5%</td>
<td>51.3%</td>
<td>50.4%</td>
<td>49.0%</td>
<td>52.1%</td>
<td>44.9%</td>
<td>49.0%</td>
<td>45.0%</td>
<td>48.5%</td>
</tr>
<tr>
<td><strong>Expense ratio</strong></td>
<td>41.8%</td>
<td>39.7%</td>
<td>40.4%</td>
<td>37.9%</td>
<td>36.9%</td>
<td>38.8%</td>
<td>38.5%</td>
<td>41.3%</td>
<td>37.6%</td>
<td>39.1%</td>
</tr>
<tr>
<td><strong>Net incurred claims¹</strong></td>
<td>(60.0)</td>
<td>(55.5)</td>
<td>(52.7)</td>
<td>(53.4)</td>
<td>(48.7)</td>
<td>(52.6)</td>
<td>(46.4)</td>
<td>(44.9)</td>
<td>(41.7)</td>
<td>(44.6)</td>
</tr>
</tbody>
</table>

1. Net incurred claims includes $1.8m of suspected arson fires in Cook Islands in the March 2014 period.
2. Claims events >1m (net of any reinsurance).
3. The impacts of the Canterbury earthquakes and the discontinuation of the Australian business are classified differently in the Group financial statements.
4. Excludes profit for the part year and loss on sale of TLNZ.
Industry progress

Settlement of claims has taken significantly longer than other recent earthquakes

- Canterbury claims have taken significantly longer to settle for a number of reasons
  1. Event and damage was larger than the relevant industries were equipped to deal with
  2. EQC has created delays due to the requirements for multiple assessment of sites
  3. Ongoing seismic activity over an extended period of time made it difficult to assess damage
  4. Full replacement policies have made insurers responsible for remediation implementation
- TOWER has remained ahead of the curve on settlement due to active case management
- Ongoing delays have caused cost inflation and uncertainty both for insurers and customers
Canterbury events have been more complex than other comparable events.

- TOWER’s costs have risen in line with other industry participants.
- TOWER has worked hard to settle all claims as soon as possible.
  - 95.6% of claims closed by 30 September 2015.

- Acceleration of payments indicative of continued progress.
  - $654m of claims paid as at 30 September, $87m in H2.
  - Total claims outstanding of $206.6m (inclusive of EQC recoveries).

**Net provisions outstanding ($m)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total claims outstanding</td>
<td>206.6</td>
</tr>
<tr>
<td>EQC Recoveries</td>
<td>(57.4)</td>
</tr>
<tr>
<td>Reinsurance recoverables</td>
<td>(103.2)</td>
</tr>
<tr>
<td>Outstanding claims payable</td>
<td>46.2</td>
</tr>
</tbody>
</table>

1. Net of claims attributable to EQC, gross of reinsurance.
FY15 Net Profit after tax impact of increased provisions of $36.2m

Full year cost of Canterbury earthquakes now $36.2m, additional $13.6m costs incurred in H2
Increase in provision due to movement in estimates for the Feb 11 event, the only event that has exceeded reinsurance limits
Reinsurance recoveries for Feb 11 event in FY15 reflect recoveries against ADC
Costs have risen at a greater level for the Feb 11 event due to impact of claims allocation between the four different events
ADC has now been fully utilised and has therefore been expensed in the period
Higher level of detail in estimate and reserve process results in higher confidence in estimates

<table>
<thead>
<tr>
<th>($m)</th>
<th>Feb 11 event</th>
<th>Total Canterbury</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1</td>
<td>H2</td>
</tr>
<tr>
<td>Balances outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims estimates¹</td>
<td>404.3</td>
<td>457.5</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>(335.2)</td>
<td>(374.4)</td>
</tr>
<tr>
<td>Net claims expense to TOWER</td>
<td>69.1</td>
<td>83.2</td>
</tr>
<tr>
<td>Movements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movements in claims costs</td>
<td>35.5</td>
<td>53.2</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>(4.1)</td>
<td>(39.2)</td>
</tr>
<tr>
<td>Cost of the ADC</td>
<td>-</td>
<td>4.8</td>
</tr>
<tr>
<td>Net provision increase</td>
<td>31.4</td>
<td>18.9</td>
</tr>
<tr>
<td>Tax benefit</td>
<td>(8.8)</td>
<td>(5.3)</td>
</tr>
<tr>
<td>Net impact</td>
<td>22.6</td>
<td>13.6</td>
</tr>
</tbody>
</table>

¹. Net of EQC recoveries
Leading light

This presentation has been prepared by TOWER Limited to provide shareholders with information on TOWER’s business. This document is part of, and should be read in conjunction with an oral briefing to be given by TOWER. A copy of this webcast of the briefing is available at http://www.tower.co.nz/investor-centre/

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